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SUBJECT: STREET TALKS BUSINESS AND POLITICS IN A KURDISH
NEIGHBORHOOD

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REASON: 1.4 (b), (d)

¶1. (C) INTRODUCTION AND SUMMARY. On a visit to Ankawa District in Erbil City, business owners told IPAO an influx of migrants was pushing up real estate prices. The owners complained about inflation, fuel prices, and how winning contracts required party membership. Ankawa is a middle-class, predominately Christian, neighborhood and home to several international organizations and businesses, including the USAID compound. END INTRODUCTION AND SUMMARY.

Government Relationships Mean Everything -----

¶2. (SBU) Beirut Restaurant, owned by Pierre Moutrane, a Lebanese businessman in partnership with the mayor of Ankawa, has been open for just one month. He said that as a foreigner he could have been a sole investor, but the partnership helped him with things like registering. He said business was taking off slowly and that he was optimistic about the future. Despite the name, the restaurant serves American food and caters to a primarily international clientele.

¶3. (SBU) Mahmud Burhan's internet cafe has been open for two years, but recently business has declined due to competition from the wireless industry. Burhan's primary business, headquartered in a different part of Erbil, was selling satellite dishes in Mosul, rural parts of Erbil Province and to the U.S. and Korean military bases. Burhan said he was trying to expand the company into wireless within Erbil City; however the KRG restricted private companies from accessing the industry.

¶4. (C) Burhan blamed the KDP for not giving small businesses a chance. In addition to cornering certain markets, he said they have made it difficult for him as an independent to register his company to enter other computer-related fields or win large government projects. He complained that party membership should not be a requisite for doing business. Before Operation Iraqi Freedom, he said it was the same situation, except the Baathists received all the benefits. In 1996 he joined the PUK, but has since renounced membership. (NOTE: Through part of 1996, the PUK controlled Erbil, but the KDP took over later that year and has run Erbil since then. END NOTE.)

Real Estate Boom Fed by Migrants

15. (SBU) Jalad, a senior partner in a real estate company run by three families, said the housing market in Ankawa District was strong because the government had given many poor people free land in exchange for political support. Many had then turned around and sold the property for \$50-60,000 and left the area. In the last 2-3 months, between 400-450 families seeking sanctuary from the instability of southern Iraq had moved into the neighborhood, dramatically raising housing prices. Jalad estimated that in today's market, a 125 square meter house sold for around \$80,000, twice what it was a year ago. He said the government supported the poorest families by paying their rent. He said the migrants were 90% Christian and 10% Muslim. As an estate agent, Jalad charged 1% to both the buyer and seller and 10% of the first month's rent. The company paid \$100 a year in property taxes.

16. (SBU) Jalad said he was in the process of registering with the Ministry of Justice for a new construction company, both for his own financial benefit and because he wanted to be a part of the reconstruction of Iraq. Although he is a member of the dominant KDP, he said party membership was irrelevant for receiving government support. He said that 75% of his neighbors were communists, but that the government supported them anyway. Jalad said U.S. companies should invest in the Kurdistan region and locate their business in Ankawa as, thanks to the number of PSD teams associated with international organizations in the area, it was the safest neighborhood in Iraq.

Inflation Doubles Prices and Costs

17. (U) Ramzi Odish returned from Sweden 2 1/2 years ago to open a Middle-eastern deli. He said that although business was improving, they were still struggling. The biggest problem was the rising cost of fuel. He said he needed to pay \$16 a month for electricity. Other costs were unstable: for example, an LPG cylinder cost \$20 a month ago and today \$8, a year ago it was

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\$.34-\$.40. He said the high cost of fuel also affected his family, particularly his elderly mother and the children who lived in his house without electricity at night.

18. (U) Haji Jalil, a Sunni Kurd with 11 children and 3 grandchildren, owns a fruit stall on a corner of an Ankawa intersection. He buys his imported fruit from the main fruit market and runs a brisk business. Jalil said the Christian markets viewed him as strong competition because he undercut their inflated prices. He used to be an importer of tomatoes from the south. He said that business had improved since Saddam Hussayn's day, except inflation and the fuel shortage were problems. Rental cost for a pick-up truck to transport fruit had increased from \$1.34 last year to \$4 this year. Fruit prices had doubled: the price of an orange had risen from \$.50 to \$1. He said he earned \$250 a month, in partnership with one of his 5 sons. Two of his sons were drivers and earned about \$670 per month. As a member of the PUK, Jalil said he also received \$20 a month from "Mam Jalal" - a sentimental reference to the head of the PUK and Iraqi President, "Uncle" Jalal Talibani.

19. (U) Mr. Akira's family has run a well-stocked store with domestic and imported consumables since 1992. In the last year, most products like diapers and crackers had doubled in price, while milk and cigarettes that were \$2.50 a year ago had increased to \$3.50. He said he paid \$500 a year in property taxes to the government. Akira blamed inflation on the increase in energy prices.

Comment:

110. (SBU) Each owner, except the internet cafe and the catering company proprietors, appeared to be running a brisk business.

The most-frequented shops appeared to be running on a U.S. dollar economy with both customers and owners handling several \$100 bills. Overall, business owners appeared frustrated by the rise in fuel costs and subsequent inflation; however, they were generally optimistic about the future.

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